

# Planning for the Transfer of Ownership Succession of Family Farms and Businesses

**Tennessee Farmland Legacy Conference**  
**“Today’s Farms for Tomorrow’s Families and  
Communities”**



**Business Ownership Succession for  
Family Farms and Family Businesses**

**Tennessee Farmland Legacy  
Conference  
Afternoon Breakout Session**



# **The Issue of Fair Selling Price for the Family Farm**



## The Issue of Fair Selling Price

If the parents decide to sell the farm (or part of the farm) to any of their children (particularly the adult children currently farming with them), what is a “**fair selling price**” for the farm property.



## The Issue of Fair Selling Price

- ➔ What if the farm has development potential in the real estate market?
- ➔ Residential acreages, recreational opportunities, commercial ventures. Will this be considered?



## **The Issue of a Fair Selling Price**

There has been a recent change in attitudes by the farming parents.





## The Issue of Fair Selling Price

Is the ultimate goal to keep the farm in the family name for another generation?

Or do the parents just sell the farm for “**top market dollar**”. And just take the cash and start spending.



## The Issue of Fair Selling Price

**Here lies the real problem:**

**The largest share of the parents' financial investment for retirement is tied up in their farming operation. Nearly all of their personal assets are farm related.**





## The Issue of Fair Selling Price

If the parents' decide to sell the farm for “**top dollar in the market**”, could the farming son or daughter ever afford to pay that high of a selling price?

→ This could mean taking on a substantial amount of debt that they might never be able to repay during their lifetime.



## **The Issue of Fair Selling Price**

**Yet on the other side of this same issue, the parents cannot afford to just give their farm away or even sell at the lowest bargain price.**

# The Issue of Fair Selling Price

Parents can now expect a longer retirement and will need a secure financial future for their needs care for the many years ahead. Health care alone can be extremely expensive.

➤ The parents may even have plans to travel extensively or spend their winters in a warmer climate.

☑ This all requires a lot of money for their retirement.



## **The Issue of Fair Selling Price**

**Another new issue to consider:**

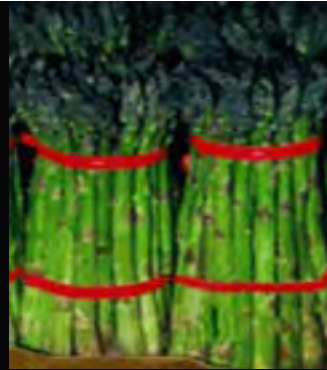
**Parents are now living too long!**



## The Issue of Fair Selling Price

Working out a **fair selling price** for the farm that **provides the parents with a secure financial retirement BUT at a price that the children buying the farm can afford** as a feasible financial investment is certainly no easy matter to resolve for farm family succession.





**The Issue of Fair Selling Price**  
**Another point to remember: No lender ever made a loan on the basis of sweat equity or used the promise “someday this will be yours” as the collateral to finance and approve a loan request.**



## **The Issue of Fair Selling Price**

**I do not believe in  
sweat equity!!**



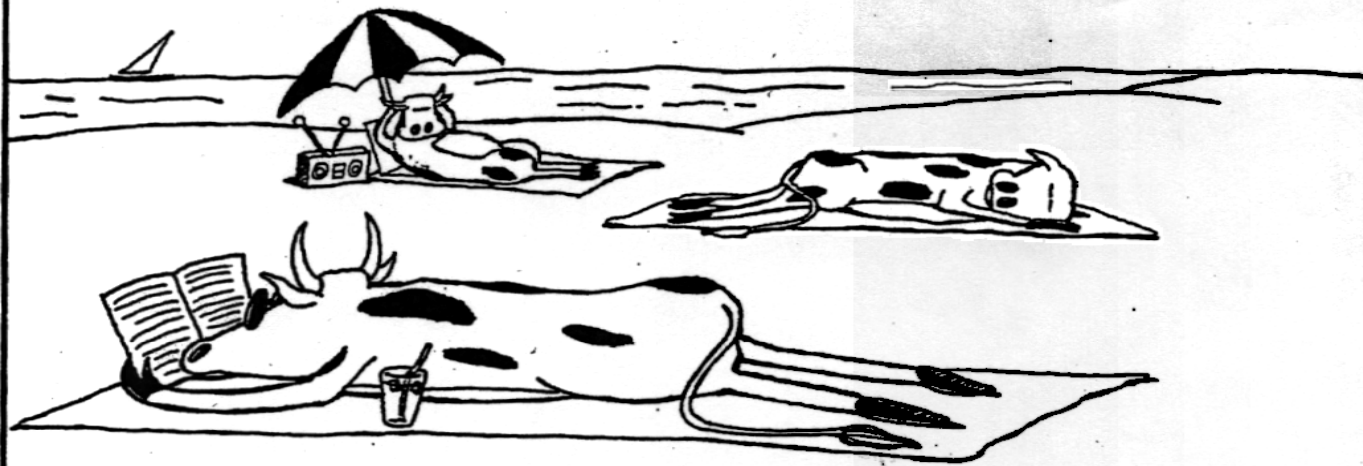
# The Issue of Fair Selling Price

**Strategy to Consider:** From the very start of bringing a son or daughter into the farm business operation, the parents must find a way to help them acquire farm assets (in their name) and to build their own net worth.



**Time for some cow cartoons!**

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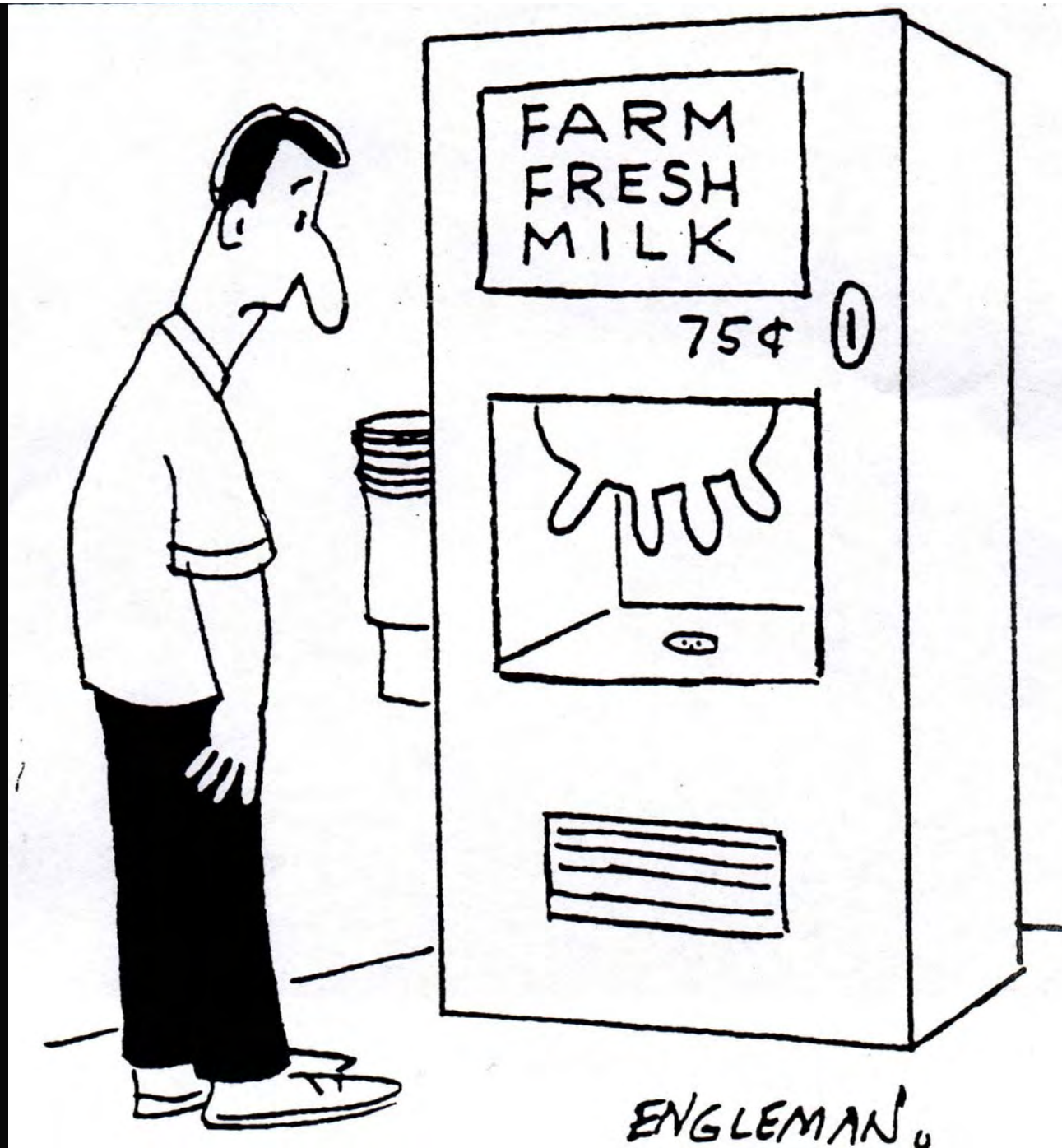


**Tanning Hides**





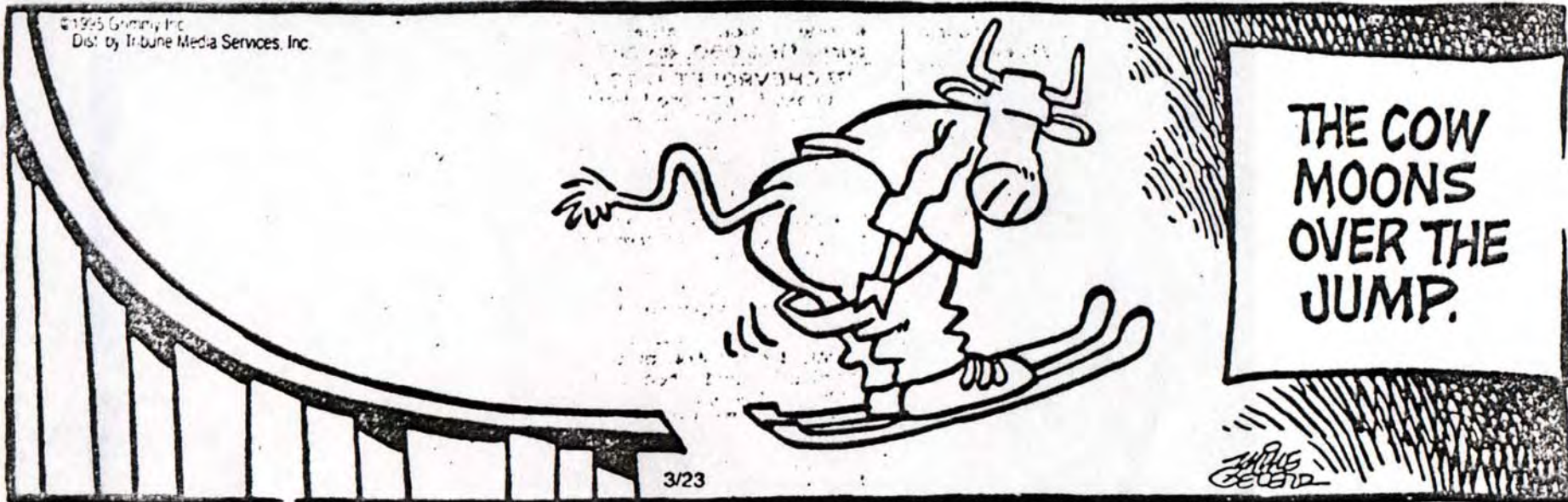
"IT AIN'T A GOOD SIGN WHEN THE VET  
SHOWS UP CARRYIN' A SHOVEL."



# MOTHER GOOSE & GRIMM

By Mike Peters

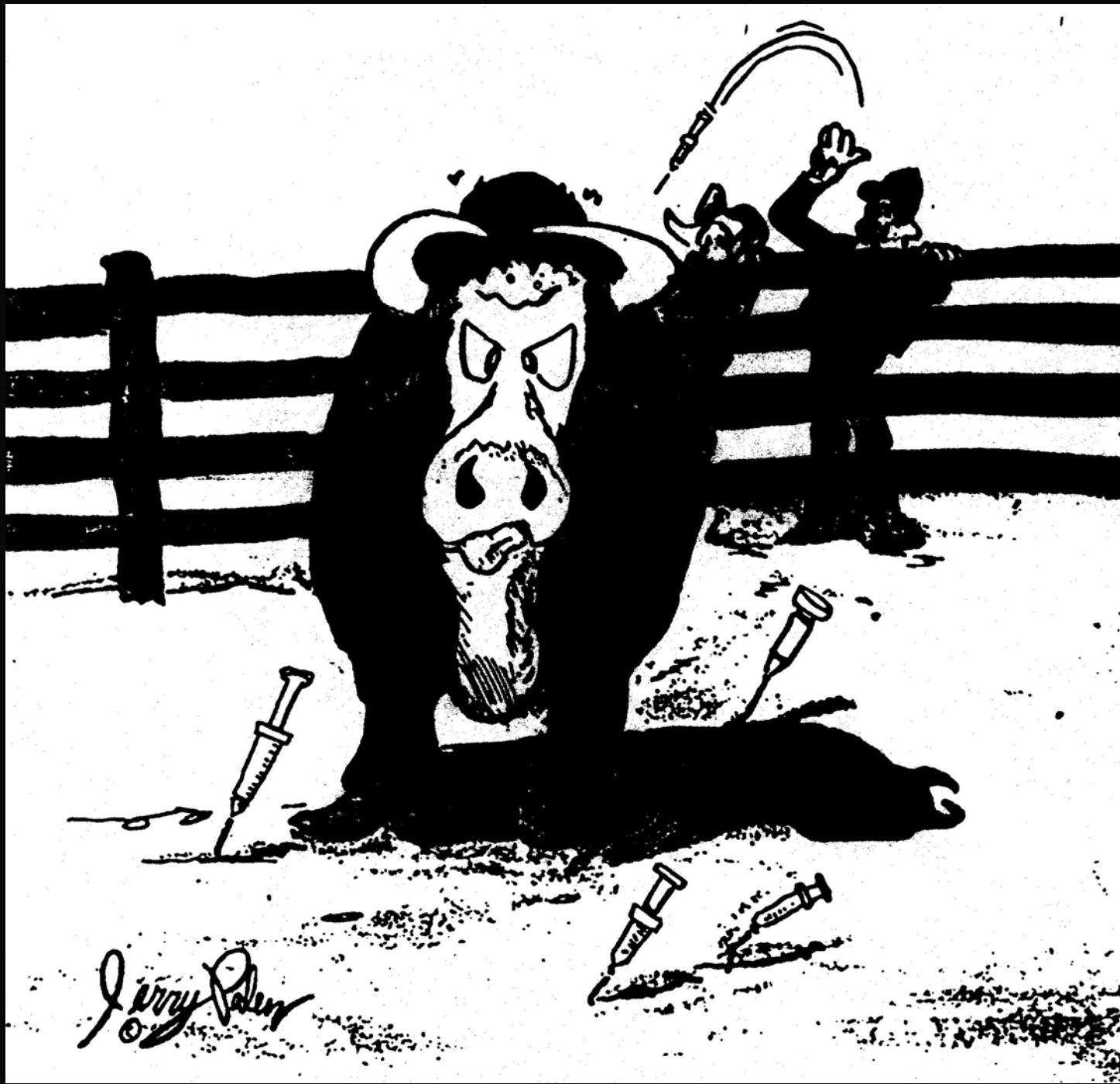
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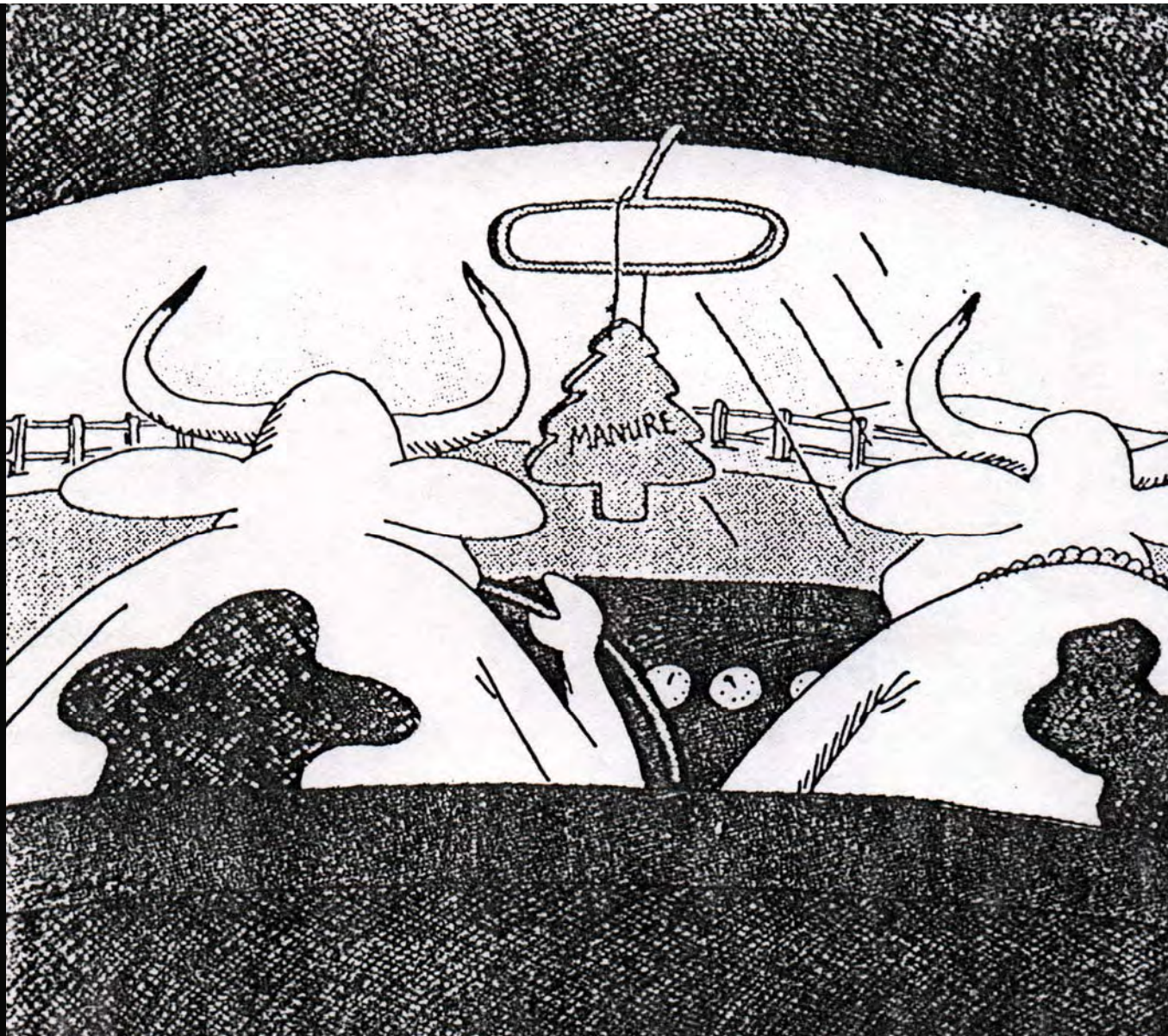






**“Cow Poetry”**





You are here



# **What If the “ What If ” Actually Happens?**

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## **What If The “ What If ” Actually Happens?**

**It is important to have a well designed plan for ownership succession in place for this next generation of family farmers which has been discussed by all family members.**





## What If The “ What If ” Actually Happens?

➔ But there are “many difficult as well as emotional issues” to discuss among all the family members involved.



**What If The “ What If ” Actually Happens?**

**Most farm families simply fail to discuss these real life “What If Issues”.**



**What If The “ What If ” Actually Happens?**

**Thus no alternative options or previous planning has been thought through and put in place in case something unexpected happens.**



**What If The “ What If ” Actually Happens?**

**But AVOIDING these farm family  
business ownership succession  
issues NOW will only result in  
disastrous consequences LATER.**





**What are some of the  
“What If ” Issues we have  
discussed this today?**

# **What If The “ What If ” Actually Happens?**

- 1. What if one or both parents would die unexpectedly?**
- 2. What if there is a divorce in the family (parents, son, daughter)?**
- 3. What if one of the children would die unexpectedly?**
- 4. What if there are unexpected medical costs/rest home care?**



# **What If The “ What If ” Actually Happens?**

- 5. What if Grandpa/Dad refuses to retire and turn over management control?**
- 6. What if there is a lawsuit by a family member?**
- 7. What if none of the children are interested in returning to farm?**
- 8. What if the parents are not willing to discuss these matters and everything remains a big secret?**

# **Farm Family Business Ownership Succession**

**What If The “ What If ” Actually Happens?**

**What potential questions can you think of that might be real issues within your family in terms of farm business ownership succession and transfer ??**



**What If The “ What If ” Actually Happens?**

**Just A Personal Reminder:**

**AVOIDING these farm family  
business ownership succession  
issues NOW will only result in  
disastrous consequences LATER.**



**“You Can Buy the Farm But Just  
Remember That I Still Own It”**

**SUMMARY**

# You Can Buy the Farm But I Still Own It

## Summary

Parents must have a **clear vision** for the future of their family farm business and then be willing to discuss their ideas and plans (especially with the children who returned back home).





# **“You Can Buy the Farm but I Still Own It”**

## **Summary**

Parents must have a **clear vision** for the future of their family farm business and then be willing to discuss their ideas and plans.

❖ **Do all the members in this farm family share this same vision with the parents?**



## **A Final Thought to Remember:**

➤ **Family relationships are IMPORTANT.**  
**Keep these issues in perspective.**

✓ **Farms can be REPLACED but  
FARM FAMILIES CANNOT.**



**Thanks for letting me share my  
farm family business ownership  
succession program with you today  
at your Tennessee Farmland Legacy  
Conference.**

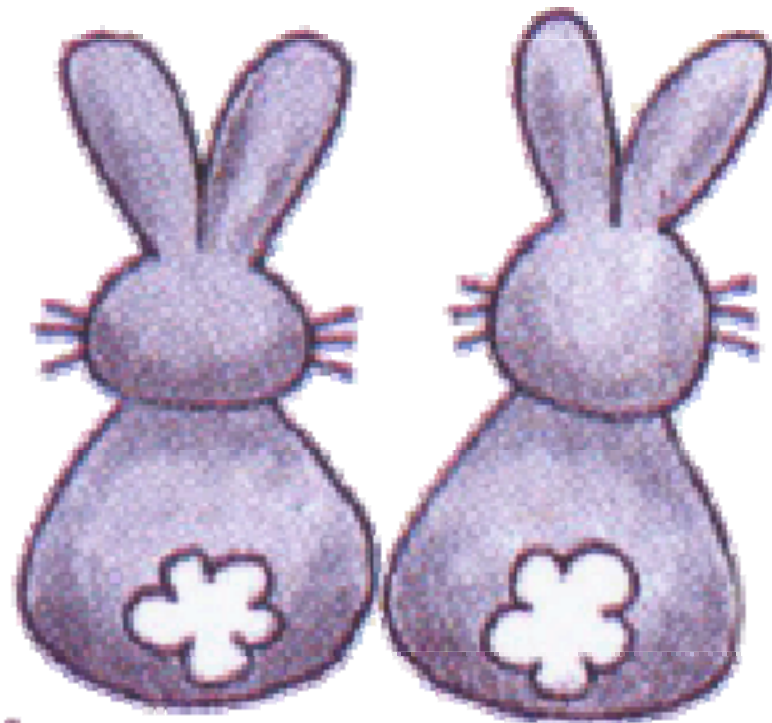
**If you enjoyed as well as learned from  
the program sessions that I presented,  
please express your appreciation and  
personal thanks to your Conference  
Planning Committee and the  
Conference Sponsors.**

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**THANK YOU for attending this  
Breakout Session. You have been  
a great audience!**





Happy Tails  
to you.



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